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SUBJECT: ANGOLAN GOVERNMENT DEMONSTRATES INCREASED WILLINGNESS TO
WORK WITH IFIS

REF: LUANDA 975

1. This is an action request. See paragraph 9.

2. (SBU) Summary. The GRA has indicated to the IMF more interest about entering into a Standby Agreement (SBA) than at any other time in the recent past. IMF reps described meetings with high level government and party officials were very positive and are awaiting the GRA's response on a proposed 1 year stand-by agreement. This new level of interest also reflects radical changes in Angola's financial situation over the past three years and the GRA's desire to better manage the massive in-flow of foreign exchange it faces as a result of increased oil revenues. The World Bank also issued Angola's first Country Economic Memorandum since 21990 and the GRA has been open to full disclosure and publication of the text, which it reviewed and approved. The Angolan National Bank (BNA) has requested technical help from the U.S. Treasury to deal with problems of supervision, lending rates, foreign exchange and money laundering (ref a). Post believes this is an opportune time to extend that assistance. End Summary.

3. (SBU) On December 6, the Ambassador met with members of a visiting IMF delegation which has been holding discussions with the GRA about entering into a one-year Standby Arrangement (SBA). Delegation members found the GRA officials to be much more interested, and spoke with more authority about a stand-by agreement than during previous visits. Besides meeting with Finance Minister Pedro de Moraes and Prime Minister Aguiinaldo Jaime, the IMF also briefed the MPLA's chief economic advisor, Manuel Junior, who is also close to President Jose Eduardo dos Santos, and worked extensively with Ministry of Finance technical experts

What's in it for Angola?

4. (SBU) The GRA representatives see an SBA as a tool to keep some government spending in check. For example, they told the IMF they hoped that participation in an IMF program would keep the newly-founded Angolan Development Bank (BDA) from exceeding its statutory cap of 5 percent of petroleum receipts. GRA interlocutors told the IMF they also hope technical assistance and working together with the IMF will lead Sonangol toward divesting itself of its conflicting roles as granter of oil concessions, concessionaire, and conduit for the GRA's oil royalties. Expatriate oil professionals have told us that even though Sonangol captures the best of Angola's workforce it must still rely on the technical expertise of foreigners working short-term contracts and therefore has less institutional memory than it needs. The Angolans are seeking to engage the IMF, and those with whom the team met seem to be putting together the best case for pitching both this one-year

stand-by and engagement writ large.

The GRA Also Wants U.S. Technical Assistance

15. (SBU) According to the IMF delegation, J. P. Morgan has been in touch with the IMF about a credit rating for Angola. The IMF delegation noted that Angola has been using its windfall oil revenues to pay down its debts, including making a payment of USD 100 million owed to bilateral creditors in the Paris Club. In early December 2006, the Angolan Central Bank (BNA) applied to open an account with the Federal Reserve Bank of New York, a step which will also entitle it to a certain amount of technical assistance.

World Bank Country Economic Memorandum Released

16. (U) At the end of November, the World Bank released its first Country Economic Memorandum (CEM) on Angola since 1990, dated October 2, 2006. The World Bank and the GRA consulted on the CEM and it was released with the GRA's concurrence. The Bank identifies six key aspects of Angola's current stage of development: complete the transition to a market economy; improve management of public expenditures; manage the oil and diamond wealth transparently; improve the business environment and investment climate in Angola; increase agricultural output, and improve the quality of public services, especially to the poor.

Media Emphasis on Statistics

17. (SBU) The official newspaper Jornal de Angola published a positive article about the CEM following its release. In addition, its edition of December 8 featured two articles on the importance of statistics to government, echoing a theme the IMF and World Bank

have emphasized for years in their dealings with Angola. Roberto Alameida, President of the National Assembly, called for credible and reliable statistics meeting the UN standards in an address to an SADC seminar on management and statistics, according to one article.

These press reports may signal that Angola will make the effort to improve its statistics in order to make itself acceptable to the international community in an area critical to financial policy.

18. (SBU) Comment. The IMF has described encouraging signs of movement within the GRA. The IMF wants to point the GRA toward increasing accountability, and the GRA appears to be moving toward closer engagement with the international community. The USG can now take some timely action which may encourage Angola's steps toward an IMF agreement. The BNA has asked for help from the United States on monetary policy and foreign exchange control, and to combat counterfeiting and money laundering.

19. (SBU) Action Request and Comment, Continued. The BNA's request provides the USG with an opportunity to move Angola's banks closer to international standards. That, in turn, should encourage banks to provide more credit to the non-petroleum sector. Embassy believes that the USG should take advantage of Angola's willingness to engage more broadly with the international community. In reftel A, the BNA requested technical assistance from the USG for managing the money supply and for combating money laundering and counterfeiting. Accepting the BNA's invitation would give the USG a role in modernizing Angola's financial sector. Improved capacity for Angola's banks will also help U.S. corporations as Angola is expected soon to phase in a requirement for oil companies to deposit their operating budget in Angolan banks at the beginning of each calendar year. Post requests that the U.S. Treasury respond positively to our request for technical assistance.

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